

Message Text

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PAGE 01 STATE 223615

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FM SECSTATE WASHDC

TO AMEMBASSY QUITO

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L STATE 223615

E.O. 11652: GDS

TAGS: BDIS, ENRG, EC

SUBJECT: THE ADA CASE

REF: (A) QUITO 6137; (B) QUITO 6352

1. AN IMPATIENT ADA VICE PRESIDENT, JOE LASSITER, TELEPHONED COUNTRY OFFICER ALLITTO ON AUGUST 27 TO TRADE ASSESSMENTS OF THE CURRENT STATUS OF THE ADA CASE, AND TO REQUEST THAT A CABLE BE SENT THAT SAME DAY. ALLITTO DISSUADED LASSITER BY EXPLAINING HOW MANY OTHER THINGS HAD BEEN TAKING PLACE DURING AUGUST, AND HOW, THEREFORE, THE GOVERNMENT OF ECUADOR (GOE) HAD MOST LIKELY PUT THE ADA CASE ON A BACK BURNER FOR THE TIME BEING. LASSITER AGREED TO BE PATIENT, BUT GAVE THE FOLLOWING ADA ASSESSMENT:

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 223615

A. THE GOE CAN HANDLE MORE THAN ONE IMPORTANT MATTER AT A

TIME IF IT REALLY WANTS TO.

B. THE GOE IS JUST STALLING TO WAIT US OUT (ADA AND THE
USG), HOPING THAT WE WILL FORGET THE WHOLE THING.

C. ADA'S EXPENDITURES CONTINUE AT ABOUT \$150,000 - 200,000
PER YEAR FOR SUCH THINGS AS WAREHOUSE RENT, INSURANCE,
REGISTRATION FEES, TAXES, LEGAL STAFF HERE, AND LOCAL STAFF
THERE. SUCH EXPENDITURES ARE AN UNACCEPTABLE DRAIN ON ADA.

D. THE USG CAN PUSH FOR A SETTLEMENT IF IT REALLY WANTS
TO.

2. ALLITTO AGREED TO ASK FOR THE EMBASSY'S ASSESSMENT OF
POINTS A AND B, AND TO ASK IF THE EMBASSY AGREES WITH THE
DEPARTMENT THAT THE USG HAS ALREADY DECIDED NOT TO LET THE
GOE FORGET THE ADA CASE, BUT THAT THE USG WILL DECIDE WHEN
IT IS APPROPRIATE TO RAISE THE CASE WITH THE GOE AGAIN.

3. ON AUGUST 31 TWO WASHINGTON LAWYERS REPRESENTING NORTH-
WEST ENERGY CALLED ON ALLITTO AND REPRESENTATIVES FROM EB
AND L. THE LAWYERS DID NOT KNOW ABOUT NORTHWEST'S APPROACH
TO THE EMBASSY REPORTED IN REFTEL A, AND SAID THAT NORTH-
WEST HAD NO INTEREST IN DISCUSSING ANYTHING WITH ADA. WHEN
TOLD SOME OF REFTEL A, THE LAWYERS WERE SURPRISED, SAID
THEY WOULD CHECK WITH NORTHWEST AND CALL BACK, BUT HAVE NOT.

4. THE LAWYERS SOUGHT AN EXPLANATION FOR A LETTER FROM
OPIC THAT STATED THAT OPIC WOULD NOT CONSIDER NORTHWEST'S
FINANCING AND INSURANCE REQUESTS UNTIL SETTLEMENT IS
REACHED IN THE ADA CASE. PROFESSING TO SEE NO CONNECTION
BETWEEN THEIR PROJECT AND THE ADA CASE, THEY CONTENTED
THAT THE OPIC DECISION WAS ARBITRARY, AND APPEARED TO
BELIEVE THE USG WAS FAVORING ADA'S INTERESTS OVER NORTH-
WEST'S. THEY WERE ASSURED THAT, WHILE OPIC'S DECISION
WAS ITS OWN, IT WAS IN KEEPING WITH USG CONCERN ABOUT THE
LONG-STANDING ADA CASE, AND THAT THE USG HAD NO INTENTION
TO FAVOR ONE US FIRM OVER ANOTHER. THEY WERE GIVEN A
RUNDOWN ON US EXPROPRIATION POLICY AND THE ROLE OF THE
INTERAGENCY EXPROPRIATION GROUP.

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PAGE 03 STATE 223615

5. WHEN ASKED HOW THE ADA SUIT IN TEXAS AFFECTS NORTHWEST,
THE LAWYERS' ANSWER WAS THAT NORTHWEST WAS NOT SURPRISED
BY THE SUIT, WAS NOT BOTHERED BY IT, AND WOULD GO AHEAD
WITH OPERATIONS IN THE GULF OF GUAYAQUIL DESPITE THE SUIT
IF IT COULD GET OPIC FINANCING AND INSURANCE. WHEN ASKED
WHETHER OR NOT DRILLING HAD BEGUN IN THE GULF, HOWEVER,
AS HAD BEEN EXPECTED FOR SOMETIME THIS SUMMER, THEY RE-

PLIED THAT THEY DID NOT KNOW BUT THEY DOUBTED THAT IT HAD.

6. THE CONVERSATION ENDED WITH THE LAWYERS SAYING THAT THEY AND NORTHWEST WOULD NOW HAVE TO DECIDE WHERE TO GO FROM HERE, AND THAT THEY WOULD KEEP IN TOUCH. DEPARTMENT OFFICERS CONCLUDED BY STATING THAT, WHILE THE USG HOLDS THE GOE RESPONSIBLE FOR FAIRLY COMPENSATING ADA, THE DEPARTMENT BELIEVES THAT AN UNDERSTANDING BETWEEN NORTHWEST AND ADA MIGHT BE THE BEST WAY TO ARRIVE AT A SETTLEMENT FOR ADA, AND THE DEPARTMENT WILL BE VERY INTERESTED IN ANY

INITIATIVE NORTHWEST MIGHT UNDERTAKE IN THIS REGARD.

7. FYI: RE PARAGRAPH 5 OF REFTTEL B, THE DEPARTMENT WILL NOT MENTION PLANNED NORTHWEST ACTIVITIES TO ADA. KISSINGER

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